

ORDINANCE NO. A05-7

COMMISSIONERS OF BRIDGEVILLE

AN ORDINANCE OF THE COMMISSIONERS OF BRIDGEVILLE (THE "COMMISSIONERS"): CONFIRMING THE CREATION OF THE (1) HERITAGE SHORES SPECIAL DEVELOPMENT DISTRICT (THE "HERITAGE SHORES DISTRICT") AND (2) HERITAGE SHORES SPECIAL DEVELOPMENT DISTRICT SPECIAL FUND (THE "HERITAGE SHORES SPECIAL FUND"); PROVIDING FOR THE LEVY OF A SPECIAL TAX ON ALL REAL PROPERTY SUBJECT TO TAX WITHIN THE HERITAGE SHORES DISTRICT; PLEDGING THE SPECIAL TAX ON REAL PROPERTY WITHIN THE HERITAGE SHORES DISTRICT TO THE HERITAGE SHORES SPECIAL FUND AND PROMISING THAT THE PROCEEDS OF THE SPECIAL TAX WILL BE PAID INTO THE HERITAGE SHORES SPECIAL FUND; PROVIDING FOR THE USE OF MONEYS IN THE HERITAGE SHORES SPECIAL FUND; AUTHORIZING THE COMMISSIONERS TO ENTER INTO DEVELOPMENT AGREEMENTS WITH THE CURRENT OWNER OF ALL OF THE PROPERTY WITHIN THE HERITAGE SHORES DISTRICT; MAKING CERTAIN LEGISLATIVE FINDINGS, AMONG OTHERS, CONCERNING THE PUBLIC BENEFIT AND PURPOSE OF SPECIAL OBLIGATION BONDS TO BE ISSUED BY THE COMMISSIONERS; AUTHORIZING AND EMPOWERING THE COMMISSIONERS TO ISSUE, SELL AND DELIVER, AT ANY ONE TIME OR FROM TIME TO TIME, ITS SPECIAL OBLIGATION BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000; PROVIDING THAT SUCH SPECIAL OBLIGATION BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION DEBT OF OR A PLEDGE OF THE COMMISSIONER'S FULL FAITH AND CREDIT OR TAXING POWERS; MAKING A FINDING THAT THE USE OF THE PROPERTY IN THE HERITAGE SHORES DISTRICT IS CONSISTENT WITH THE COMPREHENSIVE PLAN FOR THE AREA; AUTHORIZING AND EMPOWERING THE PRESIDENT OF THE COMMISSIONERS PRIOR TO THE ISSUANCE, SALE AND DELIVERY OF SUCH SPECIAL OBLIGATION BONDS, TO PRESCRIBE THE RATE OR RATES OF INTEREST SUCH SPECIAL OBLIGATION BONDS ARE TO BEAR, THE FORM, TENOR, TERMS AND CONDITIONS OF AND SECURITY FOR SUCH SPECIAL OBLIGATION BONDS, AND TO PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE VARIOUS OTHER MATTERS, DETAILS, DOCUMENTS AND PROCEDURES IN CONNECTION WITH THE AUTHORIZATION, ISSUANCE, SECURITY, SALE AND PAYMENT FOR SUCH SPECIAL OBLIGATION BONDS; AND GENERALLY PROVIDING FOR THE FINANCING OF PUBLIC INFRASTRUCTURE IMPROVEMENTS WITHIN AND WITHOUT THE HERITAGE SHORES DISTRICT AND FOR THE IMPOSITION AND LEVY OF A SPECIAL TAX AND THE ISSUANCE OF SPECIAL OBLIGATION BONDS, ALL IN ACCORDANCE WITH TITLE 22 OF THE DELAWARE CODE, CHAPTER 18 AND SECTION 29A OF 51 DELAWARE LAWS, CHAPTER 237, AS AMENDED.

RECITALS

Under the provisions of Title 22 of the Delaware Code, Chapter 18 and Section 29A of 51 Delaware Laws, Chapter 237, as amended (the "Charter") (collectively, the "Act"), the Commissioners of Bridgeville, a municipal body corporate of the State of Delaware (the "Commissioners") may create special development districts, levy ad valorem or special taxes and borrow money by issuing and selling bonds for the purpose of financing, refinancing, or reimbursement for the cost of the design, construction, establishment, extension, alteration, or acquisition of adequate storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, streets, sidewalks, lighting, parking, parks and recreation facilities, libraries, schools, transit facilities, solid waste facilities and other infrastructure improvements as necessary, whether situated within the special development districts or outside the special development districts if the infrastructure improvement provides service or benefit to the property within the special development district for the development and utilization of land, each with respect to any defined geographic region within the municipality. Bonds authorized by the Act are special obligations of the Commissioners payable from a special fund created by the Commissioners for the purpose of paying the debt service on such bonds and from other assets or revenues pledged by the Commissioners for that purpose.

Before issuing bonds, the Commissioners are required by the Act to designate, by resolution, an area or areas within the geographic boundaries of the Commissioners (the "Town") as a "special development district," to provide for the levy of a special tax on all real property within the special development district, to create a special fund with respect to the special development district, to pledge such special tax to the special fund for the payment of the debt service on the bonds issued under the Act and agree to pay the proceeds of such special tax into such special fund.

The Commissioners received an "Application to Create a Special Development District" dated March 11, 2005 (the "Request") from the owner (the "Owner") of approximately seven hundred and forty five (745) contiguous acres of real property located in the Town (the "Property"). The Commissioners also received a Letter of Intent dated March 11, 2005 from the Owner. The Owner intends to develop the Property as a residential development with golf course and aquatic center. The Owner has held discussions with the Commissioners as to the scope of, and financing for, the public infrastructure for such development, and has requested that the Commissioners create a special development district comprised of such Property and issue its special obligations bonds to assist in the financing of certain public infrastructure improvements for such special development district pursuant to the Act.

The Commissioners, following a public hearing held on March 22, 2005, pursuant to notice published in a newspaper of general circulation not less than ten (10) days before such hearing, adopted a Resolution on March 22, 2005 (the "Resolution") which created the (1) "Heritage Shores Special Development District" comprised of the Property described in the Resolution (the "Heritage Shores District") and (2) "Heritage Shores Special Development District Special Fund" (the "Heritage Shores Special Fund") and expressed their intention to consider an Ordinance to levy a special tax on the Property (subject to taxation) within the

Heritage Shores District, pledge payment of the special tax into the Heritage Shores Special Fund and apply revenues of the special tax and the proceeds of any bonds issued under the Act for the Heritage Shores District to provide improvements for the benefit of the Property within the Heritage Shores District and situated outside the Heritage Shores District (that provide service or benefit to the property within the Heritage Shores District), all in connection with the Heritage Shores District under the Act.

Pursuant to Section 1807(c)(2) of Title 22 of the Delaware Code and Section 29 of the Charter, the Commissioners received a Supplemental Application from the Owner dated April 7, 2005 requesting that the Commissioners issue and sell bonds for the purpose of financing, refinancing or reimbursement for the cost of the design, construction, establishment, extension, alteration, or acquisition of certain infrastructure improvements and machinery and equipment, situated within the Heritage Shores District and situated outside the Heritage Shores District (that provide service or benefit to the property within the Heritage Shores District).

The Owner is the owner of (i) 100 percent of the assessed value of the real property located within the Heritage Shores District, except for governmentally-owned property, and (ii) 100 percent of the acreage located within the Heritage Shores District, except of for governmentally-owned property.

The Commissioners have now determined to levy such special tax, to pledge such special tax to the Heritage Shores Special Fund, to cause the proceeds of such special tax to be paid into such Special Fund, to authorize the issuance of such bonds and to apply the special tax revenues and the proceeds of such bonds issued under the Act to provide public infrastructure improvements for the benefit of the Property within the Heritage Shores District.

The issuance of such bonds under the Act will serve the public purposes of providing public improvements within the Town, directly and indirectly enhancing the taxable base of the Town, encouraging the development of commerce and industry within the Town, and increasing employment within the Town through the installation of public infrastructure improvements for the Heritage Shores District.

The public infrastructure improvements to be located within the Heritage Shores District and outside the Heritage Shores District (which are related to infrastructure improvements within the Heritage Shores District) and to be financed in full or in part with the proceeds of the bonds will include, among other things:

- (1) construction of a water tower;
- (2) construction of water lines and related appurtenances;
- (3) construction of fire hydrants and valves;
- (4) construction of sewer lines and related appurtenances;
- (5) construction of sewer pump stations;
- (6) construction of roads, including curbs and gutters;
- (7) construction of storm drains;
- (8) construction of storm water management ponds;

- (9) construction of a library;
- (10) related grading, engineering and stakeout; lighting; landscaping; identifying monuments; signage; traffic signals; and sidewalks; and
- (11) other public improvements and equipment to benefit the Heritage Shores District.

The improvements described in the foregoing paragraph are hereafter referred to as the "Improvements."

Pursuant to Section 1807 of Title 22 of the Delaware Code, the Commissioners may implement their authority under the Act to issue bonds, for the purpose of financing the costs of the Improvements and certain related costs of issuing the bonds, by adopting an ordinance which specifies and describes the proposed undertaking and states that it has complied with certain conditions precedent to the issuance of the bonds, specifies the maximum principal amount of the bonds to be issued, specifies the maximum rate or rates of interest the bonds are to bear and agrees to a covenant to levy upon all real property within the special development district ad valorem taxes or special taxes in rate and amount at least sufficient in each year in which any of the bonds are outstanding to provide for the payment of the principal of, premium, if any, and the interest on the bonds.

The Commissioners have determined to finance the Costs (as defined in the Act) of the Improvements and certain issuance and financing costs through the issuance of its special obligation bonds (the "Bonds"), in one or more series, in the aggregate principal amount not to exceed \$65,000,000.

In order to provide for the payment of the principal of, interest on, and premium on, if any, the Bonds, the Commissioners have determined to levy and impose, and covenant to levy and impose, a special tax, to be designated the "Heritage Shores Special Tax," upon all real property within the Heritage Shores District, unless exempted by the provisions hereof, for the purposes, to the extent and in the manner herein provided, and assessed according to the Laws of Delaware for the purpose of financing the Improvements and related financing costs of the Bonds, at least sufficient in each year in which any of such Bonds are outstanding to provide for the payment of the principal of, and the interest on the Bonds and redemption premium, if any, on the Bonds, to replenish any debt service reserve fund for the Bonds, and for any other purpose related to the ongoing expenses of or security, including debt service coverage requirements, for the Bonds, through the application of the procedures provided in the Rate and Method of Apportionment of Heritage Shores Special Taxes (the "Rate and Method"), which is attached hereto and made a part hereof, and is hereafter referred to as "Exhibit 1". All capitalized terms used, but not defined herein, shall have the meaning set forth in Exhibit 1.

The Heritage Shores Special Tax shall be imposed, levied, and collected in the Heritage Shores District each Taxable Year beginning with the 2005 Taxable Year, in an amount and for such period of time as shall be determined by the Commissioners or their designee or administrator in accordance with the Rate and Method.

The Commissioners have determined that Section 210-1, *et seq.* of the Code of the Town of Bridgeville shall not apply and that no exemption under Section 210-1, *et seq.* shall be granted in connection with the Heritage Shores Special Tax.

The Commissioners have determined to designate a fiscal agent and administrator (the "Administrator") which shall be responsible for administration of the Heritage Shores District, and such Administrator shall have such duties and responsibilities as evidenced in a fiscal agent agreement, or other agreement by and between the Commissioners and the Administrator, as amended or modified by the terms of any supplemental fiscal agent agreement.

As provided in the Act, except as may be required by the Constitution of the State of Delaware, this Ordinance, any order or resolution adopted in furtherance of this Ordinance, the imposition and levy of the Heritage Shores Special Tax and the issuance of the Bonds shall not be subject to any referendum by reason of any other State or local law.

The Heritage Shores Special Tax shall be calculated, levied and collected according to the procedures provided in Exhibit 1 and the maximum amount to be assessed with respect to any parcel of property, developed and undeveloped, which is located within Heritage Shores District shall be calculated pursuant to the methodology provided in Exhibit 1.

The Heritage Shores Special Tax on any parcel of Property may be partially or fully prepaid at any time and the obligation to pay the Heritage Shores Special Tax permanently satisfied by payment of an amount calculated according to the prepayment provisions provided in Exhibit 1, and the Commissioners, through a designated trustee or the Administrator shall provide for the payment of the Heritage Shores Special Tax.

The Heritage Shores Special Tax shall be collected in the same manner and at the same time as ordinary real property taxes; provided, however, that the Commissioners, through the Administrator, may collect the Heritage Shores Special Tax at a different time or in a different manner as determined by the Commissioners, if necessary to meet the financial obligations of Heritage Shores District.

The Heritage Shores Special Tax is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for general *ad valorem* taxes in the Town.

The Heritage Shores Special Tax shall not be levied on any Public Property or Owner Association Property.

Any property owner claiming that the amount or application of the Heritage Shores Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the Administrator not later than one calendar year after having paid the Heritage Shores Special Tax that is disputed. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Heritage Shores Special Tax and decide the appeal. If the

Administrator's decision requires the Heritage Shores Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made, except for the last year of levy but an adjustment shall be made to the next Heritage Shores Special Tax levy. This procedure shall be exclusive and its exhaustion by any Property owner shall be a condition precedent to any legal action by such owner.

Except for any delinquent Heritage Shores Special Tax and related penalties and interest, Heritage Shores Special Taxes used to pay for either or both the acquisition and construction of any public facilities for the Heritage Shores District, through the issuance of special obligation bonds or otherwise and levied on any Parcel shall not be levied after the date of termination set forth in Rate and Method attached as Exhibit 1.

In accordance with Section 1815 of Title 22 of the Delaware Code, the Commissioners have determined that the use of the Property within the Heritage Shores District is consistent with the comprehensive plan for the area.

In connection with the creation of the Heritage Shores District and the Heritage Shores Special Fund, the levy of the Heritage Shores Special Tax, the issuance of the Bonds and the administration of the Heritage Shores District and the Heritage Shores Special Tax, the Commissioners expect that certain professional services will be performed by outside professional firms. The Commissioners have determined that Section 53-1 of the Code of the Town of Bridgeville shall not apply to any professional services performed in connection with the creation of the Heritage Shores District and the Heritage Shores Special Fund, the levy of the Heritage Shores Special Tax, the issuance of the Bonds and the administration of the Heritage Shores District and the Heritage Shores Special Tax.

Prior to the adoption of this Ordinance, the Commissioners will hold a public hearing regarding this Ordinance and the levy and imposition of the Heritage Shores Special Tax, and the issuance of the Bonds. The Commissioners will publish notice of this public hearing in accordance with the procedures of the Commissioners.

By this Ordinance, the Commissioners desire (i) to confirm the creation of the Heritage Shores District and the Heritage Shores Special Fund, (ii) to levy and impose the Heritage Shores Special Tax on all real Property within the Heritage Shores District, except for Public Property and Owner Association Property, (iii) to pledge the Heritage Shores Special Tax to the Heritage Shores Special Fund and to covenant to cause the proceeds of the Heritage Shores Special Tax to be deposited into the Heritage Shores Special Fund, (iv) to implement the authority conferred upon it by the Act to issue the Bonds for the Improvements, (v) to find that the Improvements will serve the public purpose of the Commissioners and to determine that the costs of the Improvements can be financed with the proceeds of the Bonds under the Act, (vi) to authorize the execution and delivery of such documents as shall be necessary to be delivered in connection with the issuance of the Bonds and the financing of the Improvements, (vii) to authorize the execution and delivery of one or more Development Agreements (hereinafter defined) between the Commissioners and the Owner, (viii) to make a finding that the use of the Property within the

Heritage Shores District is consistent with the comprehensive plan for the area and (ix) to specify certain other matters relating to the Bonds and the Improvements.

THE COMMISSIONERS OF BRIDGEVILLE HEREBY ORDAIN (by an affirmative vote of at least a majority of all of the members of Commissioners elected):

SECTION 1. FINDINGS AND DETERMINATIONS. The Commissioners of Bridgeville (the "Commissioners") hereby find and determine that:

(1) The issuance of the Bonds to finance the costs of the Improvements under the Act and this Ordinance will serve the public purposes of providing public improvements within the Town, directly and indirectly enhancing the taxable base of the Town, encouraging the development of commerce and industry within the Town, and increasing employment within the Town through the installation of utilities and other necessary public infrastructure improvements in the Heritage Shores District;

(2) The costs of the Improvements to be financed with the proceeds of the Bonds are costs associated with the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, streets, sidewalks, lighting, parking, parks and recreation facilities, libraries, transit facilities, solid waste facilities and other infrastructure improvements within the meaning of the Act for the Heritage Shores District;

(3) The Owner (a private, for-profit entity) of all of the Property within the District, except for Public Property and Owner Association Property has expressed a desire to undertake new development within the Heritage Shores District created pursuant to the Resolution, has requested the Commissioners to create the District and has requested the Commissioners to issue the Bonds to finance the costs of the Improvements;

(4) Any obligations issued by the Commissioners with respect to the Improvements under the Act and pursuant to this Ordinance may be bonds, notes, or other similar instruments; and

(5) Any such bonds, notes or similar instruments shall not be general obligations of the Commissioners and shall not be secured by a pledge of the full faith and credit or taxing power of the Commissioners, but shall be payable solely from the special tax of the Commissioners created by this Ordinance allocated and paid into the Heritage Shores Special Fund created by the Resolution and from such sinking funds, debt service reserve funds, or such other assets and revenues as the Commissioners may establish or pledge for or to the payment of such bonds, notes or similar instruments.

(6) The Commissioners have complied with the provisions of Section 1805 of Title 22 of the Delaware Code.

(7) In connection with the creation of the Heritage Shores District and the Heritage Shores Special Fund, the levy of the Heritage Shores Special Tax, the issuance of the Bonds and the administration of the Heritage Shores District and the Heritage Shores Special Tax, the Commissioners expect that certain professional services will be performed by outside professional firms. The Commissioners have determined that Section 53-1 of the Code of the Town of Bridgeville shall not apply to any professional services performed in connection with the creation of the Heritage Shores District and the Heritage Shores Special Fund, the levy of the Heritage Shores Special Tax, the issuance of the Bonds and the administration of the Heritage Shores District and the Heritage Shores Special Tax.

(8) The levy of special taxes set forth in Section 3 hereof, is calculated in a reasonable manner that results in fairly allocating the cost of the Improvements. The basis of the reasonable manner in which the special taxes set forth in Section 3 hereof have been established is set forth in Exhibit 2 attached hereto and made a part hereof.

SECTION 2. CONFIRMATION; TERMINATION. The Commissioners hereby confirm the creation of the Heritage Shores District pursuant to the Resolution and the creation of the Heritage Shores Special Fund pursuant to the Resolution. The Heritage Shores District shall be terminated when no Bonds are outstanding in accordance with the Act.

SECTION 3. LEVY OF SPECIAL TAX.

A. There is hereby levied and imposed the "Heritage Shores Special Tax" upon all real property within the Heritage Shores District, unless exempted by the provisions hereof, for the purposes, to the extent and in the manner herein provided, through the application of the procedures provided in Exhibit 1, which is attached hereto and by this reference incorporated herein; provided, however, that for any Taxable Year the amount of the Heritage Shores Special Tax may be reduced by the Commissioners or the Commissioner's designee as provided in Exhibit 1.

B. The Commissioners have determined that Section 210-1, *et seq.* of the Code of the Town of Bridgeville shall not apply and that no exemption under Section 210-1, *et seq.* shall be granted in connection with the Heritage Shores Special Tax.

C. In accordance with the Rate and Method, the Commissioners covenant to levy upon all real property within the Heritage Shores District, except for Public Property and Owner Association Property, the Heritage Shores Special Tax in rate and amount at least sufficient in each year in which any of the Bonds are outstanding to provide for the payment of the principal of, the interest on, and redemption premium, if any, on the Bonds, to replenish any debt service reserve fund for the Bonds, and for any other purpose related to the ongoing expenses of or security, including debt service coverage requirements, for the Bonds.

SECTION 4. PLEDGE TO ALLOCATE SPECIAL TAX.

A. Until any Bonds which are issued to finance the Improvements have been fully paid or thereafter, the Commissioners hereby pledge the Heritage Shores Special Taxes to the Heritage Shores Special Fund and hereby covenant that they will deposit or cause to be deposited all proceeds from the Heritage Shores Special Taxes into the Heritage Shores Special Fund.

B. This pledge and covenant to deposit Heritage Shores Special Taxes derived from the Heritage Shores District is intended to be in complete fulfillment of the condition precedent to the issuance of the Bonds contained in Section 1805 of Title 22 of the Delaware Code. The pledge and covenant to deposit the Heritage Shores Special Taxes shall be continuous and irrevocable so long as any Bonds are outstanding.

SECTION 5. HERITAGE SHORES SPECIAL FUND. The Heritage Shores Special Fund will be held by the trustee for the Bonds. The Commissioners may use, accumulate, and pay moneys in the Heritage Shores Special Fund as provided in, and subject to the restrictions of the Act. Any moneys remaining in the Heritage Shores Special Fund for the Heritage Shores District on the date of termination of the Heritage Shores District shall be paid to the general fund of the Commissioners.

SECTION 6. DURATION OF SPECIAL TAX. The Heritage Shore Special Tax levied and imposed by this Ordinance in the Heritage Shores District shall take effect, be in force and be collected for the 2005-2006 Fiscal Year and each Taxable Year thereafter, provided that the Special Tax shall not be levied after the date of termination as provided in the Rate and Method attached hereto as Exhibit 1.

SECTION 7. DESIGNATION OF ADMINISTRATOR. The Commissioners hereby agree to designate the Administrator which shall be responsible for administration of the Heritage Shores District, and the Administrator shall have such duties and responsibilities as evidenced in a fiscal agent agreement or other agreement by and between the Commissioners and the Administrator, as amended or modified by the terms of any supplemental fiscal agent agreement.

SECTION 8. ISSUANCE OF BONDS. The issuance and sale of the Bonds in an aggregate principal amount not to exceed \$65,000,000, and bearing interest at a maximum rate of interest not to exceed 8.0%, all as may be determined by the President of the Commissioners (the "President"), are hereby authorized and approved. The Bonds are authorized hereby to be executed by the manual or facsimile signature of the President and the seal of the Commissioners shall be affixed to the Bonds and attested by the Secretary. The Bonds shall not be an indebtedness of the Commissioners for which the Commissioners are obligated to levy or pledge, or has levied or pledged, general or special taxation other than the Heritage Shores Special Tax. Pursuant to the Act, the Bonds will be special obligations payable solely from the funds in the Heritage Shores Special Funds and the proceeds of the Heritage Shores Special Taxes and shall not constitute a general obligation debt of the Commissioners or a pledge of the Commissioner's full faith and credit or taxing power.

All proceeds received from the sale of the Bonds shall be applied to pay Costs (as defined in Section 1801(3) of Title 22 of the Delaware Code with respect to the Improvements and the Bonds.

SECTION 9. SALE OF BONDS. The Commissioners hereby determine to sell the Bonds to Prager, Seally & Co., as underwriter in a private, negotiated deal. The President is authorized to proceed with the offering and sale of the Bonds; provided, however, that any offering of the Bonds shall be limited to "accredited investors" within the meaning of Section 2(15) of the Securities Act of 1933, as amended.

SECTION 10. OTHER ACTIONS.

A. The President and/or any other authorized officers of the Commissioners are authorized and directed to take any and all actions and to execute, attest, affix the Commissioner's seal to and deliver, and to file and record in any appropriate public offices (if applicable) all documents, instruments, certifications, forms (including but not limited to, appropriate IRS forms in respect to the Bonds) financing statements, letters of instructions, written requests, contracts, agreements and other papers, whether or not herein mentioned, as may be necessary or convenient to evidence the approvals of the Commissioners provided in this Ordinance and to consummate the transactions contemplated in this Ordinance or in any of the documents herein authorized and approved.

B. The President, the Treasurer of the Commissioners and all other officials of the Commissioners are hereby authorized and empowered to do any and all such things as shall be deemed necessary by them to facilitate the issuance of the Bonds and are hereby authorized and empowered to do all such things and execute such documents and certificates as may be determined by them to be necessary to carry out and comply with the provisions of the Act and this Ordinance.

SECTION 11. EXECUTIVE ORDER. Prior to the issuance, sale and delivery of the Bonds, the President by executive order shall specify, prescribe, determine, provide for, or approve, for the purposes and within the limitations of the Act and this Ordinance, all matters, details, forms, documents, and procedures pertaining to the sale, security, issuance, delivery, and payment of or for one or more series of the Bonds, including, without limitation, the following:

- (1) The actual principal amount of the Bonds to be issued,
- (2) The actual rate or rates of interest for the Bonds,
- (3) The manner in which and the terms upon which the Bonds are to be sold,
- (4) The manner in which and the times and places that the interest on the Bonds is to be paid,
- (5) The time or times that the Bonds may be executed, issued, and delivered,

(6) The form and tenor of the Bonds and the denominations, in which the Bonds may be issued,

(7) The manner in which and the times and places that the principal of the Bonds is to paid, within the limitations set forth in the Act and this Ordinance,

(8) Provisions pursuant to which any or all of the Bonds may be called for redemption prior to their stated maturity dates,

(9) The establishment of a sinking fund and a debt service reserve fund for the Bonds,

(10) The form and contents of, and provisions for the execution and delivery of, such financing documents as the President shall deem necessary or desirable to evidence, secure or effectuate the issuance, sale and delivery of the Bonds, including (without limitation) any fiscal agent agreements, development agreements, funding agreements, security agreements, assignments, guarantees, indentures, financing agreements or escrow agreements;

(11) The creation of security for the Bonds and provision for the administration of the Bonds, including (without limitation) the appointment of such trustees, escrow agents, fiscal agents, payment agents, registrars or other agents as the President shall deem necessary or desirable to effectuate the transactions authorized hereby;

(12) Provisions for the preparation and distribution of both a preliminary and a final official statement, placement memorandum, or offering circular in connection with the sale of any series of the Bonds, if such preliminary official statement and final official statement, placement memorandum, or offering circular are determined to be necessary or desirable for the sale the Bonds;

(13) To the extent that other obligated persons with respect to the Bonds have not assured compliance with, or to the extent that the offering of the Bonds is not exempt from the requirements of, Rule 15c2-12 of the United States Securities and Exchange Commission, the determination of the form and contents of any written agreement or contract required by law for the benefit of the holders of the Bonds under which agreement or contract the Commissioners will undertake to provide annual financial information, audited financial statements, material events notices, and other information to the extent required by such Rule;

(14) The determination of, or the provision for, such other matters in connection with the authorization, issuance, execution, sale, delivery, and payment of the Bonds, the security for the Bonds, and the consummation of the transactions contemplated by this Ordinance as may be deemed appropriate by the President, including without limitation, establishing procedures for the execution, acknowledgment sealing, and delivery of such other and further agreements, documents, and instruments, and the authorization of the officials of the Commissioners to take any and all actions, as are or may be necessary or appropriate to consummate the transactions contemplated by this Ordinance in accordance with the Act and this Ordinance.

SECTION 12. DEVELOPMENT AGREEMENTS. The Commissioners are hereby authorized to enter into one or more agreements with respect to the Improvements with the current Owner of the Property (each, a "Development Agreement"). Each Development Agreement shall contain such terms, agreements, and conditions and be in such form as the President may approve after consultation with bond counsel to the Commissioners. Each Development Agreement shall be executed on behalf of the Commissioners by the President, and the corporate seal of the Commissioners shall be impressed thereon and attested by the Secretary (or other authorized officer). The President, the Secretary, and other appropriate officials of the Commissioners are hereby authorized and empowered to do all such acts and things and execute such other documents and certificates as necessary to carry out and comply with the provisions of this Section 12.

SECTION 14. COMPREHENSIVE PLAN. In accordance with Section 1815 of Title 22 of the Delaware Code, it is hereby determined that the use of the Property within the Heritage Shores District is consistent with the comprehensive plan for the area.

SECTION 15. EFFECTIVE DATE; REVOCATION OF ORDINANCE.

A. This Ordinance shall become effective upon its adoption by a majority of all members elected to the Commissioners of Bridgeville. The Commissioners may not revoke the provisions of Sections 3 and 4 of this Ordinance as long as the principal of, and the interest and any premium on, any of the Bonds, including any bonds issued to refund the Bonds, remains unpaid.

B. In the event that no Bonds are issued to finance the Improvements within one year after the date this Ordinance is adopted, this Ordinance shall be automatically revoked without further action by the Commissioners.

APPROVED this 9th day of May, 2005.


WITNESS


COMMISSIONERS OF BRIDGEVILLE

[SEAL]

Exhibit 1 Rate and Method of Apportionment of Heritage Shores Special Taxes

Exhibit 2 Reasonable Basis for Special Taxes

EXHIBIT 1

RATE AND METHOD OF APPORTIONMENT
OF HERITAGE SHORES SPECIAL TAXES

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COMMISSIONERS OF BRIDGEVILLE, DELAWARE
HERITAGE SHORES SPECIAL DEVELOPMENT DISTRICT

***RATE AND METHOD OF APPORTIONMENT
OF SPECIAL TAXES***

A Special Tax shall be levied and collected in the Heritage Shores Special Development District (the "District") each Fiscal Year, beginning with the 2005-2006 Fiscal Year and continuing until the year provided for in Section F hereof, in an amount determined by the Commissioners through the application of the procedures described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms used herein shall have the following meanings:

"Act" means Title 22 of the Delaware Code, Chapter 18 and Section 29A of 51 Delaware Laws, Chapter 237, as amended.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee employed by the Commissioners in connection with any Bonds; the expenses of the Commissioners in carrying out their duties under the Indenture of Trust, including, but not limited to, levying and collecting the Special Tax and complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state securities law, including the costs of any employees of the Commissioners and fees of any professionals retained by the Commissioners to provide services for such purposes; and all other costs and expenses of the Commissioners, Trustee, or the Administrator incurred in connection with the discharge of their respective duty under the Indenture of Trust, including legal expenses associated with such duties, and, in the case of the Commissioners, in any way related to the administration of the District.

"Administrator" means the designee of the Commissioners for purposes of estimating the annual Special Tax Requirement and the Special Tax to be levied each Fiscal Year and for providing other services as required by the Indenture of Trust or designated by the Commissioners.

"Assigned Special Tax" means the Special Tax described as the Assigned Special Tax in Section B.

"Bond Year" shall have the meaning given to such term in the Indenture of Trust.

"Bonds" means any bonds or other debt, including refunding bonds, whether in one or more series, issued by the Commissioners relating to the District pursuant to the Act.

1 **"Commissioners"** means the Commissioners of Bridgeville, a municipal body corporate of the
2 State of Delaware.

3
4 **"Completion of Construction"** means the first to occur of the following: (i) issuance of all of
5 the Bonds contemplated for the District, not including refunding bond issues, or (ii) completion
6 of all of the Public Improvements as evidenced by a certificate of completion (as provided for in
7 the Indenture of Trust).

8
9 **"Date of Classification"** means a date selected by the Commissioners each Fiscal Year for the
10 purposes of classifying property for the levy of Special Taxes.

11
12 **"Developed Property"** means Parcels of Taxable Property for which a building permit has been
13 issued that allows the construction of a structure intended for occupancy.

14
15 **"District Minimum Special Tax"** has the meaning given to the term in Section J.

16
17 **"District Maximum Special Tax"** has the meaning given to the term in Section J.

18
19 **"Fiscal Year"** means the period starting any July 1 and ending on the following June 30 or such
20 other twelve month period as is established as the fiscal year by the Commissioners or by
21 Delaware law.

22
23 **"Indenture of Trust"** means the indenture of trust relating to the Bonds, as modified, amended
24 and/or supplemented from time to time.

25
26 **"Land Area"** means the net usable land area as estimated by the Administrator and confirmed
27 by the Commissioners. Net usable land means the land on which development may occur, but
28 excluding existing or proposed Public Property, exclusive use easements, Owner Association
29 Property, and other areas on which development may not occur.

30
31 **"Maximum Special Tax"** means the highest Special Tax determined in accordance with Section
32 B that may be levied in any Fiscal Year on any Parcel of Taxable Property.

33
34 **"Owner Association Property"** means, for any Fiscal Year, any real property within the
35 boundaries of the District that is owned by or irrevocably offered for dedication to a property
36 owner's association and available for use in common by the property owners; provided, however,
37 that real property that has been irrevocably offered for dedication includes only those Parcels for
38 which a copy of the offer has been provided to the Administrator.

39
40 **"Parcel"** means a lot or parcel of real property within the District with a parcel number assigned
41 by the tax collector.

42
43 **"Platted Property"** means Parcels of Undeveloped Property for which a plat has been recorded
44 subdividing the property into individual parcels on which structures may be built without a
45 requirement for or intention of further subdivision.
46

1 **"Proportionately"** means that the ratio of the actual Special Tax levy to the Maximum Special
2 Tax is equal for all Parcels within a class, with a class representing Developed Property or
3 Undeveloped Property.
4

5 **"Public Improvements"** means those improvements the Commissioners have authorized to be
6 provided by the District.
7

8 **"Public Property"** means property within the boundaries of the District owned by, or
9 irrevocably offered for dedication (in a plat map approved by the Commissioners or otherwise)
10 to the federal government, State of Delaware, the Commissioners, or other public agency or
11 instrumentality or easements for the exclusive use of a public utility provider; provided,
12 however, that exclusive use utility easements and real property that has been irrevocably
13 dedicated includes only those parcels or portions of parcels for which a copy of the easement or
14 offer has been provided to the Administrator.
15

16 **"Single Family Attached"** means Parcels of Developed Property that is or is intended to consist
17 of a building or buildings in which there is more than one dwelling unit.
18

19 **"Single Family Detached"** means Parcels of Developed Property other than Parcels classified as
20 Single Family Attached.
21

22 **"Special Tax"** means the Special Tax levied by the Commissioners pursuant to the terms herein.
23

24 **"Special Tax Requirement"** has the meaning given to it in Section C.1.
25

26 **"Taxable Property"** means any Parcel that is not Public Property or Owner Association
27 Property.
28

29 **"Trustee"** means the trustee appointed by the Commissioners to carry out the duties of the
30 Trustee specified in the Indenture of Trust.
31

32 **"Undeveloped Property"** means any Parcel of Taxable Property that is not classified as
33 Developed Property.
34

35 **"Unplatted Property"** means Parcels of Undeveloped Property other than Platted Property.
36
37

B. SPECIAL TAX RATES

1. Developed Property

a. Assigned Special Tax

The Assigned Special Tax for the 2005-2006 Fiscal Year for each Parcel of Developed Property shall be equal to the product of the number of residential dwelling units on or that may be built on such Parcel (as estimated by the Administrator) and the Assigned Special Tax per unit for each class of property shown in Table A.

TABLE A

**Assigned Special Taxes
Developed Property
2005-2006 Fiscal Year**

Property Class	Assigned Special Tax Per Unit
Single Family Detached	\$2,426
Single Family Attached	\$1,656

On each July 1, commencing July 1, 2006, the Assigned Special Tax rates shown in Table A shall be increased to 102 percent of the respective Assigned Special Tax in effect in the previous Fiscal Year.

b. Maximum Special Tax

The Maximum Special Tax for each Parcel of Developed Property shall be the greater of (i) 110% of the Assigned Special Tax for such Parcel and (ii) an amount determined by the following formula:

$$A = (B \div C) \times D$$

Where the terms have the following meaning:

A = The Maximum Special Tax for a Parcel

B = The Assigned Special Tax for the Parcel

C = The total of the Assigned Special Tax on all Parcels of Developed Property and the Maximum Special Tax on all Parcels of Undeveloped Property

D = The Special Tax Requirement.

2. Platted Property

1 The Maximum Special Tax for any Fiscal Year for each Parcel classified as Platted Property
2 shall be determined by the following formula:

3
4
$$A = [(B \div C) \times D] \div (E \div F)$$

5

6 Where the terms have the following meaning:

7

8	A	=	The Special Tax for a Parcel
9	B	=	The sum of the assessed value of all Parcels of Platted Property
10	C	=	The sum of the assessed value of all Parcels of Undeveloped Property
11	D	=	The Special Tax Requirement less the Special Taxes levied on Developed
12			Property by Step 1 of Section C.3. for that Fiscal Year
13	E	=	The Land Area of the Parcel of Platted Property for which the Special Tax
14			is being calculated
15	F	=	The Land Area of all of the Parcels of Platted Property.

16

17 3. Unplatted Property

18
19 The Maximum Special Tax for any Fiscal Year for each Parcel classified as Unplatted Property
20 shall be determined by the following formula:

21
22
$$A = [(B \div C) \times D] \div (E \div F)$$

23

24 Where the terms have the following meaning:

25

26	A	=	The Special Tax for a Parcel
27	B	=	The sum of the assessed value of all Parcels of Unplatted Property
28	C	=	The sum of the assessed value of all Parcels of Undeveloped Property
29	D	=	The Special Tax Requirement less the Special Taxes levied on Developed
30			Property by Step 1 of Section C.3. for that Fiscal Year
31	E	=	The Land Area of the Parcel of Unplatted Property for which the Special
32			Tax is being calculated
33	F	=	The Land Area of all of the Parcels of Unplatted Property.

34

35 **C. LEVY OF THE SPECIAL TAX**

36
37 1. Special Tax Requirement

38
39 The Special Tax Requirement for any Fiscal Year shall be estimated by the Administrator and
40 determined by the Commissioners and shall be an amount equal to (A) the amount required in
41 any Fiscal Year to pay: (1) debt service and other periodic costs (including deposits to any
42 sinking funds) on the Bonds to be paid from the Special Taxes collected in such Fiscal Year, (2)
43 Administrative Expenses to be incurred in the Fiscal Year or incurred in any previous Fiscal
44 Year and not paid by the Commissioners, (3) any amount required to replenish any reserve fund
45 established in association with any Bonds, (4) a contingency, which may include an amount
46 equal to the estimated delinquencies expected in payment of the Special Tax not otherwise taken

1 into account or amounts required to establish or maintain any reserves, and (5) the costs of
2 remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees
3 for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of
4 cash), less (B) (1) any credits available pursuant to the Indenture of Trust, such as capitalized
5 interest, reserves, and investment earnings on any account balances, and (2) any other revenues
6 available to apply to the Special Tax Requirement. The amounts included in (3) and (4) above
7 shall not exceed an amount in aggregate that would result in an increase in the amount of the
8 Special Tax Requirement by an amount more than ten percent of the amounts included in (1) and
9 (5) above.

10
11 2. Assignment to Land Use Categories
12

13 For each Fiscal Year, each Parcel shall be classified as Public Property, Owner Association
14 Property, or Taxable Property. Each Parcel of Taxable Property shall be classified as Developed
15 Property or Undeveloped Property. Each Parcel of Undeveloped Property shall be classified as
16 Platted Property or Unplatted Property. Each Parcel of Developed Property shall be classified as
17 Single Family Detached or Single Family Attached. The classification of Parcels shall be made
18 based on the status of each Parcel as of the Date of Classification.
19

20 3. Levy of the Special Tax
21

22 Commencing with Fiscal Year 2005-2006 and for each following Fiscal Year, the Special Tax
23 shall be levied as provided below.
24

25 **First:** Prior to the Completion of Construction, the Special Tax shall be levied on each Parcel of
26 Developed Property at the Assigned Special Tax for such property. Subsequent to the
27 Completion of Construction, the Special Tax shall be levied Proportionately on each Parcel of
28 Developed Property up to the Assigned Special Tax for such property to the extent necessary to
29 fund the Special Tax Requirement.
30

31 **Second:** If additional monies are needed to fund the Special Tax Requirement after the first step
32 has been completed, the Special Tax shall be levied Proportionately on each Parcel of
33 Undeveloped Property up to 100 percent of the Maximum Special Tax for such property, to the
34 extent necessary to fund the Special Tax Requirement.
35

36 **Third:** If additional monies are needed to fund the Special Tax Requirement after the second
37 step has been completed, the Special Tax shall be levied Proportionately on each Parcel of
38 Developed Property up to 100 percent of the Maximum Special Tax for such property, to the
39 extent necessary to fund the Special Tax Requirement.
40

41 The Administrator shall provide an estimate to the Commissioners prior to each Fiscal Year of
42 the amount of the Special Tax to be levied on each Parcel in conformance with the provisions of
43 this section.
44
45

1 **D. EXEMPTIONS**

2
3 A Special Tax shall not be levied on Public Property or Owner Association Property.
4

5 **E. MANNER OF COLLECTION**
6

7 The Special Tax will be collected in the same manner and at the same time as ordinary real
8 property taxes; provided, however, the Special Tax may be collected at a different time or in a
9 different manner as determined by the Commissioners, provided that such time or manner is not
10 inconsistent with the provisions of the Indenture of Trust.
11

12 **F. TERMINATION OF SPECIAL TAX**
13

14 Except for any delinquent Special Taxes and related penalties and interest, Special Taxes shall
15 not be levied after the earlier of (i) the repayment or defeasance of the Bonds, (ii) the thirtieth
16 (30th) Fiscal Year in which such Parcel was taxed as Developed Property, and (iii) such time
17 provided for by the Indenture of Trust. After such Fiscal Year, and the collection of any
18 delinquent Special Taxes, penalties and interest, the Commissioners shall cause a document
19 evidencing such termination of the levy and collection to be recorded in the land records of
20 Sussex County, Delaware and the Commissioners.
21

22 **G. APPEALS OF THE LEVY OF THE SPECIAL TAX**
23

24 Any property owner claiming that the amount or application of the Special Tax is not correct and
25 requesting a refund may file a written notice of appeal and refund to that effect with the
26 Administrator not later than one calendar year after having paid the Special Tax that is disputed.
27 The Administrator shall promptly review the appeal and, if necessary, meet with the property
28 owner, consider written and oral evidence regarding the amount of the Special Tax, and decide
29 the appeal. If the property owner does not agree with the decision of the Administrator, the
30 decision may be appealed to the Commissioners within thirty days of the notice of the
31 Administrator regarding its determination of the appeal. The Commissioners shall review the
32 conclusion of the Administrator, the information made available to the Administrator, and such
33 other information as may be submitted by the property owner or the Administrator. If the
34 decision of the Administrator or the Commissioners requires the Special Tax to be modified or
35 changed in favor of the property owner, a cash refund shall not be made, except for the last year
36 of levy or unless there are sufficient funds held by the Trustee not required to meet the Special
37 Tax Requirement, but an adjustment shall be made to the Special Tax levy on that Parcel in the
38 next Fiscal Year. This procedure shall be exclusive and its exhaustion by any property owner
39 shall be a condition precedent to any other appeal or legal action by such owner.
40

41 **H. PREPAYMENT OF SPECIAL TAX**
42

43 The Special Tax for any Parcel of Developed or Platted Property may be prepaid and the
44 obligation to pay the Special Tax for the Parcel permanently satisfied as provided for herein.
45

46 The Special Tax prepayment amount shall be equal to the following: (a) the sum of the

1 following: (i) Principal, (ii) Premium, (iii) Defeasance, and (iv) Fees, (b) less the Reserve Fund
2 Credit, plus any delinquent Special Taxes on such Parcel, including any applicable penalties and
3 related costs, where the terms have the following meanings:
4

5 **Principal** means a portion of the principal of the Bonds equal to (i) the Maximum Special Tax
6 for the Parcel for which the Special Tax is being prepaid for the Fiscal Year in which such
7 prepayment is made (with the Special Tax for a Parcel of Platted Property determined as if the
8 Parcel was Developed Property) divided by (ii) the District Maximum Special Tax for the Fiscal
9 Year in which such prepayment is made with the result multiplied by (iii) the total Bonds
10 outstanding after application of the Special Taxes collected in the corresponding Fiscal Year plus
11 any additional Bonds authorized to be issued.
12

13 **Premium** means an amount equal to the Principal multiplied by the applicable redemption
14 premium, if any, for the Bonds to be redeemed, as provided for in the Indenture of Trust. There
15 shall be no Premium if the prepayment is made prior to the issuance of the Bonds.
16

17 **Defeasance** means the amount needed to pay interest on the Principal until the earliest call date
18 for the Bonds, less (a) the amount that will be received by the Trustee from the reinvestment of
19 the Special Tax prepayment until the Bonds are redeemed from the prepayment and (b) the
20 Special Tax paid prior to the prepayment that will be applied to the interest on or principal of the
21 Bonds that is included in the calculation of the Principal or Defeasance.
22

23 **Fees** means Administrative Expenses associated with the prepayment, including but not limited
24 to the calculation of the prepayment, the costs of redeeming the Bonds, and the costs of
25 recording or publishing any notices related to the prepayment and the redemption of the Bonds.
26

27 **Reserve Fund Credit** means any reduction in the reserve fund resulting from the redemption of
28 Bonds, as provided for the Indenture of Trust.
29

30 The sum of the amounts calculated herein shall be paid to the Commissioners or the Trustee and
31 shall be used to pay and redeem the Bonds in accordance with the Indenture of Trust and to pay
32 the Administrative Expenses associated with the prepayment. Upon the payment of such
33 prepayment amount to the Commissioners or the Trustee, the obligation to pay the Special Tax
34 for such Parcel shall be deemed to be permanently satisfied, the Special Tax shall not be levied
35 thereafter on such Parcel, and the Commissioners shall cause a notice of cessation of the Special
36 Tax for such Parcel to be recorded in the land records of Sussex County, Delaware and the
37 Commissioners within a reasonable period after the receipt of the prepayment amount.
38

39 I. PARTIAL PREPAYMENT OF THE SPECIAL TAX 40

41 The Special Tax for any Parcel of Developed or Platted Property may be partially prepaid on all
42 of the Parcels within a plat or subdivision (but not less than all) and that portion of the Special
43 Tax obligation permanently satisfied. The amount of the prepayment shall be calculated as in
44 Section H; except, however, the principal portion shall be calculated according to the following
45 formula:
46

$$A = B \times C$$

Where the terms have the following meaning:

- A = the principal portion of the partial prepayment
B = the principal portion of the prepayment calculated according to Section I
C = the percent by which the owner of the Parcels is to partially prepay the Special Tax

The partial prepayment of Special Taxes shall be collected, at the latest, at the settlement for the sale of a house. The owner of the Parcels shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax on all of the Parcels within a plat or subdivision, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the settlement agent. The owner shall provide instructions to the settlement agent and the Administrator, which instructions shall direct the settlement agent to collect the partial prepayment of the Special Taxes for all of the Parcels within the plat or subdivision as calculated pursuant to this Section I and to remit such amount to the Commissioners. The Administrator shall provide the owner and the settlement agent with a statement as to the amount required for the partial prepayment of the Special Tax for a Parcel within five (5) working days of notice of the pending settlement. The Administrator may charge a reasonable fee for providing this figure.

With respect to any Parcel for which the Special Tax is partially prepaid, the Commissioners shall (i) distribute the funds remitted to it by the settlement agent according to the Indenture of Trust, (ii) cause a suitable notice to be recorded within 30 days of receipt of such prepayment of Special Taxes, to indicate the partial prepayment of Special Taxes and the release of the Special Tax lien in such amount, (iii) indicate in the records of the District that there has been a partial prepayment of the Special Tax and that this portion of the Special Tax shall not be levied thereafter. Following a partial prepayment of the Special Tax with respect to any Parcel, the outstanding percentage $(1.00 - C)$ of the Special Tax shall continue to be levied on such Parcel.

J. MANDATORY PREPAYMENT OF SPECIAL TAX

A Mandatory Prepayment of the Special Tax shall be required upon any event that results in a reduction in the District Maximum Special Tax to an amount that is less than the District Minimum Special Tax unless the debt service coverage requirement for additional bonds as set forth in the Indenture of Trust can be met by the District Maximum Special Taxes. The Mandatory Prepayment shall be due from the Parcel (or any resultant Parcels) that results in the application of the provisions of this Section.

The District Minimum Special Tax for the 2005-05 Fiscal Year is \$3,939,404. On each July 1, commencing July 1, 2006, the District Minimum Special Tax shall be increased to 102 percent of the respective District Minimum Special Tax in effect in the previous Fiscal Year. The District Minimum Special Tax shall be reduced for any prepayments of Special Taxes, including any Mandatory Prepayment of Special Tax.

The District Maximum Special Tax means the Maximum Special Tax that may be collected from

1 all units of Developed Property at the expected build-out of the District, as reduced for any
2 prepayments of Special Taxes. The initial estimates of units in the District at build-out are 982
3 Single Family Detached units and 724 Single Family Attached units. Based on the Maximum
4 Special Tax rates for the 2005-2006 Fiscal Year (which are 110% of the Assigned Special Tax
5 Rates shown in Table A), these units would result in total Maximum Special Taxes at build-out
6 of \$3,939,404 (calculated as of the 2005-2006 Fiscal Year).
7

8 The Mandatory Prepayment shall be calculated as set forth in Section H; however, "Principal"
9 shall be equal to the following: (i) the reduction in District Maximum Special Tax divided by (ii)
10 the District Maximum Special Tax prior to the reduction with the result multiplied by (iii) the
11 total principal amount of Bonds outstanding.
12

13 The amounts calculated in the preceding formula shall be paid to the Commissioners or the
14 Trustee and shall be used to pay and redeem the Bonds in accordance with the Indenture of Trust
15 and to pay the Administrative Expenses associated with the Mandatory Prepayment.
16

17 The Mandatory Prepayment shall be due prior to the recordation, conveyance, or other action
18 that results in a change to any Parcel that results in a Mandatory Prepayment. In the event the
19 Mandatory Prepayment is not paid prior to the change in any Parcel, the total Mandatory
20 Prepayment may be levied on any and all of the resulting Parcels. The Mandatory Prepayment
21 shall have the same sale and lien priorities as provided for by law for Special Taxes.
22

23 The Mandatory Prepayment shall not exceed the principal amount of the outstanding Bonds plus
24 any amounts owed on the Bonds, including accrued interest and redemption fees. A Mandatory
25 Prepayment of Special Taxes shall not reduce the Assigned Special Tax (or the Maximum
26 Special Tax, to the extent it is equal to 110% of the Assigned Special Tax) for any Parcel.
27

28 **K. AMENDMENTS**

29

30 This Rate and Method of Apportionment of Special Taxes may be amended by the
31 Commissioners and, to the maximum extent permitted by the Act, such amendments may be
32 made without further notice under the Act and without notice to owners of Taxable Property
33 within the District in order to (i) clarify or correct minor inconsistencies in the matters set forth
34 herein, (ii) provide for lawful procedures for the collection and enforcement of the Special Tax
35 so as to assure the efficient collection of the Special Tax for the benefit of the owners of the
36 Bonds, and (iii) otherwise improve the ability of the Commissioners to fulfill their obligations to
37 levy and collect the Special Tax and to make it available for the payment of the Bonds and
38 Administrative Expenses. No such amendment shall be approved unless and until the
39 Commissioners have (a) found and determined that the amendment is necessary and appropriate
40 and does not materially adversely affect the rights of the owners of the Bonds and (b) received an
41 opinion of a nationally recognized bond counsel to the effect that the amendment is authorized
42 pursuant to the terms of the Act, the Indenture of Trust, and any ordinances or resolutions
43 adopted by the Commissioners related to the Bonds.
44

45 **L. INTERPRETATION OF PROVISIONS**

46

1 The Commissioners shall make all interpretations and determinations related to the application of
2 this Rate and Method of Apportionment of Special Taxes, unless stated otherwise herein or in the
3 Indenture of Trust, and as long as there is a rational basis for the determination made by the
4 Commissioners, such determination shall be conclusive.
5

6 **M. SEVERABILITY**
7

8 If any section or part of a section of this "Rate and Method of Apportionment of Special Taxes"
9 is declared invalid or unenforceable, the validity, force, and effect of any other section or part of
10 a section herein shall not thereby be affected or impaired unless it clearly appears that such other
11 section or part of a section herein is wholly or necessarily dependent upon the section of part of a
12 section so held to be invalid or unenforceable.

EXHIBIT 2

REASONABLE BASIS FOR SPECIAL TAXES

**HERITAGE SHORES SPECIAL DEVELOPMENT DISTRICT
BRIDGEVILLE, DELAWARE**

SPECIAL TAX ALLOCATION REPORT

Prepared By:
MuniCap, Inc.

May 5, 2005

SPECIAL TAX ALLOCATION REPORT

Purpose of Report

The Heritage Shores Special Development District (the "District") is being created to finance all or a portion of the purchase price, acquisition and construction costs of public improvements required for District, including costs related to the issuance of the special development district bonds. Bonds are expected to be issued to fund the improvements. The bonds will include the cost of the improvements, issuance costs, interest on the bonds during construction and for a period after construction, and a debt service reserve fund.

The Commissioners of Bridgeville ("Commissioners") will levy a special tax each year on all real property within the District (the "Property"), except as provided in the Rate and Method (hereinafter defined) to provide funds for the payment of debt service on the bonds, the cost of administration of the district, and other costs related to the bonds. The district is being created, special taxes levied, and bonds issued pursuant to the Title 22 of the Delaware Code, Chapter 18 and Section 29 of 51 Delaware Laws, Chapter 237 (together, the "Act"), as amended from time to time. The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes levied as described in the "Rate and Method of Apportionment of Special Taxes" for the Heritage Shores Special Development District (the "Rate and Method").

Description of the District

The District consists of approximately 744.849 acres 30 miles south of Dover, Delaware and approximately 75 miles south of Wilmington, Delaware. The zoning approved for the project is RPC (Residential Planned Community Zone). The following table shows the proposed uses within the District.

Table A
Proposed Land Uses
Within District

<i>Development Type</i>	<i>Area</i>
Triplexes	288 units
Duplexes	436 units
Garden Homes	381 units
Executive Homes	601 units

Proposed Infrastructure Improvements

The purpose of the District is to finance all or a part of the costs of the following public infrastructure improvements:

Table B
Estimated Costs of Public Improvements

<i>Improvement</i>	<i>Estimated Cost</i>
Entrance road improvements - Route 13 & Route 546	\$1,730,000
Main road	\$5,657,000
Sewer and water along main road	\$2,028,000
Storm drain along main road	\$750,000
Off-site water and sewer	\$6,380,000
On-site roads & related engineering	\$9,492,000
Water and sewer along on-site roads	\$12,463,000
Storm drain along on-site roads	\$2,400,000
Sidewalks and driveway aprons along on-site roads	\$2,000,000
Storm water management ponds and connecting pipes	\$2,100,000
Library etc.	\$1,600,000
Total	\$46,600,000

Projected Issuance of Bonds

Bonds are projected to be issued by the Commissioners to finance the costs of such infrastructure improvements. Bond proceeds will include the costs of constructing such improvements, a reserve fund, issuance costs, and capitalized interest. Supplementing the bond proceeds will be interest income on the bond proceeds before they are fully expended. Table C shows the estimated sources and uses of funds for the issuance of bonds.

Table C
Projected Issuance of Bonds

Sources of funds:	
Bond proceeds	\$60,444,000
Interest income	423,845
Total sources of funds	\$60,867,845
Uses of funds:	
Improvements	\$46,600,000
Bond issuance costs	1,466,840
Capitalized interest	6,755,304
Reserve fund	6,044,400
Rounding	1,302
Total uses of funds	\$60,867,845

The actual issuance of the bonds may vary from these estimates depending on the interest rate on the bonds, the date the bonds are issued, the cost of issuing the bonds, reinvestment rates on bond proceeds, and other factors. Several series of bonds are proposed to be issued. The estimates shown above are the totals of all series of bonds.

Bond issuance costs include legal fees, financial consulting fees, the cost of the appraisal and market study, the cost of preparing an engineer's report, the set-up and first year's fee of the trustee, trustee's counsel, city expenses, document printing costs, and other miscellaneous costs related to the issuance of the bonds.

Capitalized interest will fund the interest on the bonds for approximately two years, to allow time for the infrastructure improvements and other property in the District to be constructed, for the Property to be added to the property tax roll, and property taxes to be collected from the Property and applied to the payment of the debt service on the bonds.

The purpose of the reserve fund is to ensure there are sufficient funds to pay debt service should it be necessary to take action to collect delinquent property taxes. The proceeds in the reserve fund are invested and the income is applied to the annual debt service on the bonds. The reserve fund itself will eventually be applied to the repayment of the bonds. Accordingly, while the reserve fund is funded from bond proceeds, it is not a cost of issuing the bonds.

Determination of Special Taxes

Special taxes must be levied in a reasonable manner. The reasonable basis for the special taxes levied in the District is based on the following:

- (i) the special benefit of the infrastructure improvements to the Property subject to the special taxes exceeds the cost of the special taxes;
- (ii) the amount of special taxes to be levied each year is equal to the amount required to repay the bonds issued to finance the infrastructure improvements; and
- (iii) special taxes are allocated to parcels within the District on the basis of the relative benefit received by the Property from the improvements provided by the District, with the relative benefit estimated primarily on the basis of the use of the improvements by the Property that will be taxed.

Special Benefit

The Property will receive a special benefit from the infrastructure improvements to be provided by the District and this special benefit will be equal to or greater than the cost of the special taxes levied on the Property. The special benefit is confirmed by two means. First, the owner of the Property in the District has requested that the Commissioners impose the special taxes on the Property for the purpose of providing the infrastructure improvements. It is reasonable to believe the owner is acting in its interest and making this request because the benefit it receives from the infrastructure improvements exceeds the cost of the special taxes.

Second, the special taxes are being levied to provide infrastructure improvements that are required for the highest and best use of the Property (i.e., the use of the Property that is most valuable). Highest and best use can be defined as "the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." (*Dictionary of Real Estate Appraisal, Third Edition.*) The four criteria for highest and best use are (i) legally permissible, (ii) physically possible, (iii)

financially feasible, and (iv) maximally productive.

The developer has analyzed various options for the use of the property, taking into consideration the legally permitted uses, the physical constraints of the site, financial parameters, and market demand. The developer is understandably interested in maximizing its return on its investment in the property. Based on this analysis, the highest and best use of the Property is the proposed uses for the Property. The use of the Property will require the infrastructure improvements to be provided by the District. Without these improvements, the property could not be put to its highest and best use.

The financing provided by the District is long-term financing and pays interest to the bond holders that is exempt from income taxes, resulting in a lower rate than other available financing. As a result of these advantageous terms, the financing provided by the District is the most beneficial means of financing the public improvements.

In summary, the special taxes result in a special benefit to the owner of the Property for the following reasons:

1. The public improvements to be provided by the District are required for the highest and best use of the Property;
2. The highest and best use of the Property is the use of the Property that is most valuable (including any costs associated with the use of the Property);
3. The financing provided by the District is the most beneficial means of financing the public improvements; and,
4. As a result, the special benefits to the Property from the improvements to be provided by the District will be equal to or greater than the cost of the special taxes that will finance the improvements necessary to achieve the highest and best of the Property.

Special Taxes Required to Repay the Bonds

Special taxes are to be levied in an amount equal to the special tax requirement. The special tax requirement is an amount equal to:

(A) the amount required in any Fiscal Year to pay: (1) debt service and other periodic costs (including deposits to any sinking funds) on the Bonds to be paid from the Special Taxes collected in such Fiscal Year, (2) Administrative Expenses to be incurred in the Fiscal Year or incurred in any previous Fiscal Year and not paid by the Commissioners, (3) any amount required to replenish any reserve fund established in association with any Bonds, (4) a contingency, which may include an amount equal to the estimated delinquencies expected in payment of the Special Tax not otherwise taken into account or amounts required to establish or maintain any reserves, and (5) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (B) (1) any credits available pursuant to the Indenture of Trust, such as capitalized interest, reserves, and investment earnings on any account balances, and (2) any other revenues available to apply to the Special Tax Requirement. The amounts included in (3) and (4) above shall not exceed an amount in aggregate that would result in an increase in the amount of

the Special Tax Requirement by an amount more than ten percent of the amounts included in (1) and (5) above. (Capitalized terms have the meanings given to them in the Rate and Method).

The special tax on all of the Property is set to pay the debt service on the bonds to be issued to finance the infrastructure improvements and related expense and is therefore set in a reasonable manner.

Allocation of Special Taxes to Parcels

Briefly summarized, the annual special taxes are to be levied in the following manner:

1. The taxable property in the District is to be classified as developed, platted or unplatted property.
2. The annual special taxes allocated to developed property are to be allocated to each tax parcel of residential property on a per unit basis such that each developed parcel pays its share of the improvements to be provided by the District.
3. The annual special tax not allocated to developed property is to be allocated to platted and unplatted property on the basis of the assessed value of all of the property in each classification;
4. The annual special taxes allocated to unplatted property are to be allocated to each tax parcel on a per acre basis;
5. The annual special taxes allocated to platted property are to be allocated to each parcel of platted property on a per acre basis.

The special tax rates are fixed on property once property becomes developed. Prior to property being developed (i.e., platted and unplatted property), the special tax on each parcel is not fixed and determinable and will vary depending on a number of factors.

As the Property in the District is platted, development rights are committed to the platted parcels that are peculiar to these parcels. These rights change the character and value of the platted property and enhance the ability of this property to utilize, and therefore benefit from, the infrastructure provided by the District. The methodology provided for in the Rate and Method provides for the special tax obligation (i.e., the share of debt service on the bonds) to also increase with the platting of the Property. This is accomplished by determining the relative value of the platted and unplatted property each year and allocating special taxes on the basis of the relative value of each class of property (i.e., platted or unplatted property).

The relative value of platted and unplatted property will be determined each year by obtaining the values of the parcels within each class as determined by the county assessor. The special tax requirement (as defined in the Rate and Method) that is not paid by Developed Property will be allocated to platted and unplatted property on the basis of the relative value of the property within each class.

This methodology is explained in greater detail in the balance of this report.

Classification of Property

The annual special taxes will be allocated by classifying the taxable property in the District as developed, platted or unplatted property. The use made of the public improvements, and therefore the benefit received from the improvements, is generally different for developed, platted and unplatted property. Developed property is generally making use of the public improvements. Buildings are under construction or people are using the buildings, these people are driving on the roads, using water and producing sewage. Platted property makes greater use of the public improvements than unplatted property, since platted property is ready for development, resulting in a greater standby benefit to the property. Unplatted property is generally making little use of the improvements. Unplatted property does receive benefit from the public improvements by having these improvements available once development is ready to proceed on the property.

Allocation to Developed Property

The costs of the infrastructure improvements to be provided by the District are allocated to developed property on the basis of the use of the improvements. The use of the improvements is generally a function of the use of the property. For example, single family detached homes create different demands on infrastructure improvements than single family attached homes. The proposed uses of the property within the special development district are shown in Table A and consist of approximately 724 single family attached units and 982 single family detached units.

The estimated budget for the infrastructure improvements to be provided by the District is shown by Table B. These costs are to be allocated to the uses of the property as identified above. The use of the road improvements is estimated on the basis of trip generation rates taken from *Trip Generation*, which is published by the Institute of Transportation Engineers. Trip rates are 9.57 average daily trips per single family detached unit and 5.86 average daily trips per single family attached unit.

The use of water and sewer is estimated on the basis of gallons per day taken from a study prepared by the Washington Sanitary Sewer Commission. Single family detached units are estimated to generate 300 gallons per day of water and sewer use. Single family attached units are estimated to generate 250 gallons per day of water and sewer use.

Sixty-two percent of the storm water run-off is estimated to be generated by the single family detached units and thirty-eight percent by the single family attached units. The costs of the storm water management facilities are allocated to each category of property on this basis and then further allocated on a per unit basis.

The allocation of the costs to the property types are used to calculate an equivalent use factor for each property type. Special taxes are levied on the basis of these equivalent unit factors. The equivalent unit factors represent the relative use of the improvements by each residential unit. The equivalent use factor for each property type is as follows:

Single Family Detached
Single Family Attached

1.0000 per dwelling unit
0.6826 per dwelling unit

Equivalent unit factors are calculated by estimating the total use of the improvements (e.g., trips, gallons) by the proposed land uses in the district. The cost per unit of use is calculated. For example, the cost per trip is calculated by dividing the estimated costs of the roads by the estimated number of trips. The cost of the improvements per unit is calculated on the basis of the cost per unit of use (e.g., the cost per trip) and the use per unit (e.g., trips per unit). The equivalent unit factor is the relative costs per unit of a single family attached unit to a single family detached unit (i.e., \$6,826 of costs for each single family attached unit for each \$10,000 of costs for each single family detached unit).

Special taxes are allocated to developed property on the basis of the equivalent use factors for each type of property. The equivalent use factors are based on the relative use of the improvements by the property. As a result, the special taxes are allocated to property on the basis of the use of the improvements and represent a reasonable allocation of the special taxes.

The bonds supported by developed property are allocated, via the special taxes, on a per unit basis. The allocation is made such that all of the bonds will be allocated to developed property once all of the Property is developed. At any stage of development prior to completion, the residual bonds not allocated to developed property are allocated to platted and unplatted property.

Allocation of Taxes to Platted and Unplatted Property

The annual special taxes will be allocated to platted or unplatted property on the basis of the assessed value of the property in each class. An example of this allocation is shown in Table D. Table D assumes there is no developed property.

Allocating the annual special tax on the basis of assessed value is implicitly reasonable, since property taxes are set by state law on the basis of assessed value. Such a long standing and broad based precedent of state law must be taken as reasonable. While it would be difficult if not impossible to make a precise estimate of the relative benefit received from the public improvements by platted and unplatted property, basing the allocation of the annual special taxes on the relative value of the property is a reasonable

Table D
Example of Allocation of Special Taxes
Platted and Unplatted Property

Percent of assessed value by class:		
Platted property		90%
Unplatted property		10%
Annual special tax		\$1,000,000
Allocation of annual special tax:		
Platted property	\$900,000	90%
Unplatted property	\$100,000	10%
Total	\$1,000,000	100%

approximation of the relative benefit each property receives from the public improvements since it reflects the relative value of each class of property.

Allocation of Annual Special Taxes to Unplatted Property

The annual special taxes allocated to unplatted property are to be further allocated to tax parcels on a per acre basis. For example, Table D shows the annual special tax allocated to unplatted property as \$100,000. If there were 100 acres of unplatted property, the annual special tax would be allocated to unplatted property at the rate of \$1,000 per acre. ($\$100,000 \div 100 \text{ acres} = \$1,000 \text{ per acre}$).

Allocation of Annual Special Taxes to Platted Property

Annual special taxes are allocated to parcels of platted property on the same basis as taxes are allocated to unplatted property: on a per acre basis. For example, Table D shows the annual special tax allocated to platted property as \$900,000. If there were 100 acres of platted property, the annual special tax would be allocated to platted property at the rate of \$9,000 per acre. ($\$900,000 \div 100 \text{ acres} = \$9,000 \text{ per acre}$).

Summary of Reasonable Basis of the Special Taxes

Special taxes are levied on the taxable property in the district according to the provisions of the Rate and Method. The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes. The reasonable basis may be summarized as follows:

1. The special benefit of the infrastructure improvements to the Property exceeds the cost of the special taxes;
2. Taxes levied on all of the Property each year is equal to the amount required to pay the debt service on the bonds;
3. The bonds are issued to finance the costs of the infrastructure improvements, which will be utilized by the Property, and other costs related to the issuance of the bonds; and
4. The special taxes levied each year are allocated to each property within the District on the basis of the relative benefit property receives from the improvements, which is estimated primarily on the basis of the estimated use of the infrastructure by each property.

For these reasons, the special taxes are levied on the taxable property in the District in a reasonable manner.